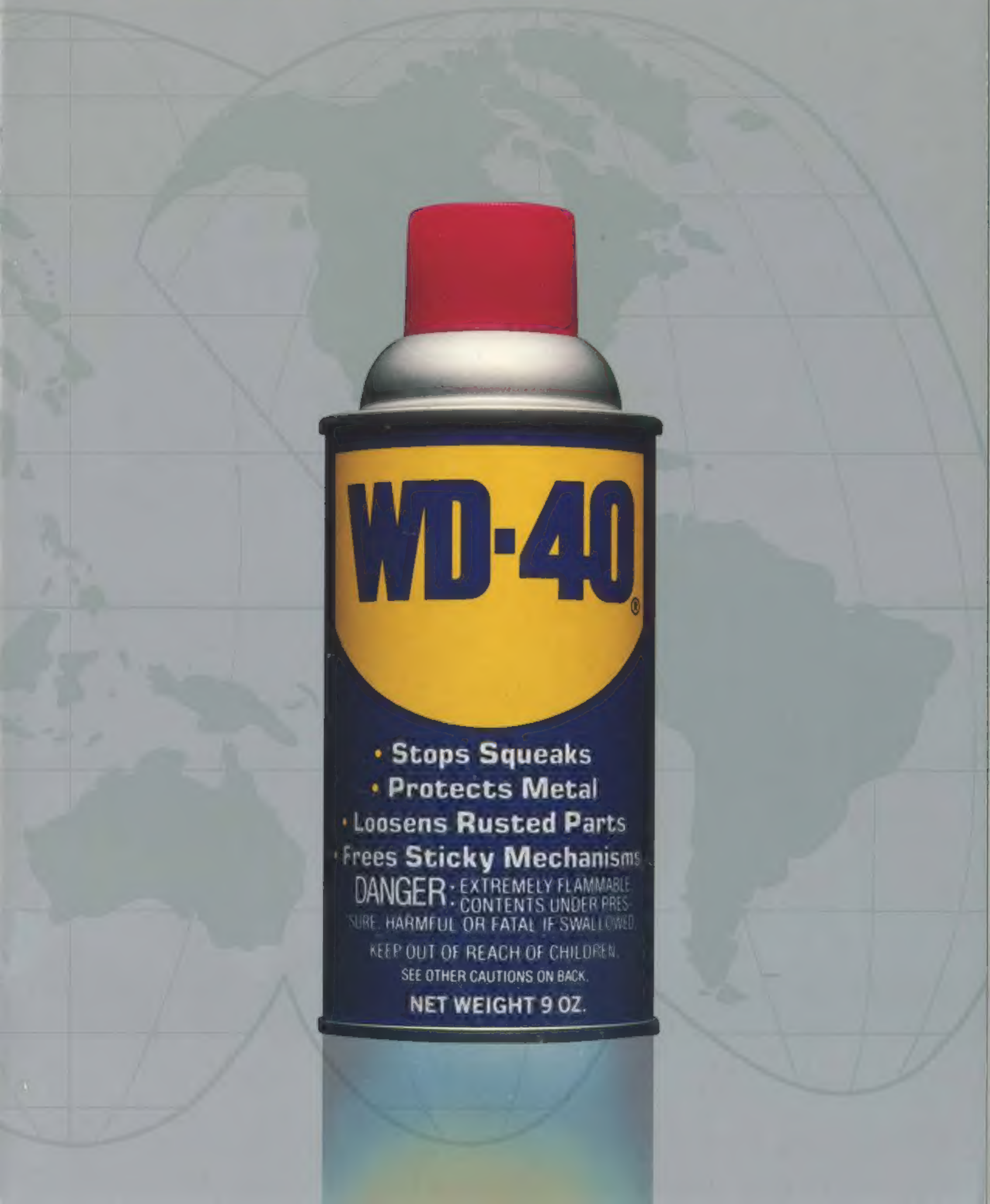
WD-40 COMPANY 1990 ANNUAL REPORT

Year Ending August 31



Highlights of the Three Years Ended August 31

	1990	1989	1988
Net Sales	$90,990,000	$83,932,000	$80,005,000
Net Income	$15,490,000	$15,755,000	$15,548,000
Earnings Per Share	$2.05	$2.08	$2.06
Dividends Per Share	$2.02	$1.90	$1.63
Average Number of Shares Outstanding	7,554,154	7,552,114	7,527,507
Shares Outstanding	7,554,508	7,554,008	7,544,368
Number of Shareholders	2,538	2,640	2,883
Number of Employees	136	133	79

Highlights of Fiscal 1990:

- Current Ratio: 5.7 to 1
- Debt: None
- Net Sales per Employee: $669,000
- Receivables to Net Sales: 18.0%
- Inventories to Net Sales: 4.0%
- Net Income to Average Net Worth: 40.4%

Letter to the Shareholders

October 15, 1990

To Our Shareholders:

Company sales for fiscal year 1990 reached $90,990,000, a new record – up 8.4% from last year's record. Net income was $15,490,000 or 17.0% of sales. This fell short of the previous year's record earnings by $265,000 or 1.7%. Profit margins shrunk from both product cost increases and advertising sales promotion expenses going up faster than sales. On a per share basis, earnings were $2.05 compared with $2.08. The Company paid cash dividends of $2.02 per share, including the $.30 extra paid in the third quarter. This payout was 6.3% over fiscal 1989.

This year our international operations retarded our sales and earnings growth, however each of our three subsidiaries is a solid contributor on its own.

The parent Company's sales were up $8,271,000 or 13.4% from last year, but due to the previously mentioned cost and expense increases, operating profit increased only $722,000 or 3.9%.

Domestically, the now seasoned direct sales force delivered on-plan sales throughout the first eleven months of the year at which time the previously announced September price increase of about 9% boosted August sales and brought the whole year in above our original goal. This is the first price increase we have had in nine years. We are satisfied with the new sales force meeting their sales forecasts and expense projections.

Exports by the parent Company enjoyed sharp increases percentage-wise on a modest base. The Mexican border is now open and we are finally starting to get properly established there. Central America, the Caribbean area, and Southeast Asia all produced sales well beyond our original expectations. It should be noted that our Australian subsidiary provides the sales and marketing efforts that generate the orders from Southeast Asia. All of these export areas are ripe for continued future growth.

The sales and earnings results of our U.K. subsidiary were most disappointing. Sales were down $716,000 or 5.7% and operating profits were down $923,000 or 28.8% from last year. The weak sales were the results of poor business conditions in both England and Europe. High interest rates throttled inventory levels throughout the distribution chain and worked against impulse retail purchases. The profit margin squeeze was mostly the result of advertising-sales promotion expenditures made in anticipation of sales that failed to materialize. We still have a challenge to break out of the automotive trade channel and capitalize on the inherent broad usage of WD-40 by a wide range of end users.

The combined sales of our Canadian and Australian subsidiaries were down $497,000 or 5.1% from last year, and the operating profit was down $370,000 or 16.6%. Both Canada and Australia suffered from a very tight economy, similar to that in England and Europe.

Foreign exchange currency translations had a minor impact on this year's results of operations.

Gerald Schleif was elected President and Chief Operating Officer by the Board of Directors this September. I will remain Chief Executive Officer, with the title Chairman of the Board. Jerry is a twenty-one year veteran of the Company who earned his spurs many times over and is well versed in all phases of our business around the world. This move will insure a smooth continuity of management.

The outlook for fiscal year 1991 is most uncertain with the Middle East crisis looming as a large cloud over the world economy. England, Europe and Australia are already in a recession and some say the United States may be headed that way. The prospect of inflation adds to this concern. Under the present circumstances, we will have to work hard to maintain our current levels of sales and earnings.

Sincerely,

John S. Barry
Chairman and
Chief Executive Officer

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-users' brand loyalty for your Company's only product, WD-40. The Company would consider adding another product if it is determined that the Company can make a decisive contribution to that product's growth in the area of marketing-distribution. The product would, of course, have to have an attractive profit potential.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the world. The well-established growth pattern of the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view, it has little dependency on any one or even any group of end-users.

Markets

Because of the wide range of uses of WD-40 by diverse groups of end-users there are a multitude of markets for the product that must be accessed by many trade channels, including automotive, hardware, drug, grocery, industrial and farm. WD-40 is a horizontal product cutting across numerous trade channels. This same pattern holds true in foreign markets.

While domestic sales currently account for slightly greater than two-thirds of total sales, foreign sales are expected to capture a larger share of the total because of their less developed markets.

Competition

Over the years the high visibility of our success in the United States has spawned envy and lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty with the end-user has resulted in our withstanding these attempted intrusions even when launched by billion-dollar companies.

In a retail arena the true competition is every product that is competing for shelf space be it anti-freeze, light bulbs or razor blades. To survive and grow our promotional programs must be attractive enough to the trade to win retail display space to capitalize on the impulse nature of WD-40.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on the critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate for North America is formulated in San Diego and shipped by railcar or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, and Toronto, Canada. These independent subcontractors package WD-40 to rigid specifications and, upon order from your Company, ship ready-to-sell WD-40 to our customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

The San Diego facility also oversees providing distributors and licensees in Mexico, the Caribbean, Central America, South America, the Pacific Rim and Southeast Asia with finished product or concentrate.

Europe, the Middle East and Africa are served from our European headquarters located in Milton Keynes, England. WD-40 concentrate is formulated there and converted to ready-to-sell WD-40 by three English contract packagers. The language and labeling standards of each of the many countries served by this operation has resulted in the production of over a dozen different WD-40 labels.

Our Australian subsidiary, which became operational January 1, 1988, is responsible for marketing WD-40 in Australia, New Zealand, Southeast Asia and the Far East. Sales outside of Australia are recorded by the parent Company.

Report of Independent Accountants

Price Waterhouse

October 9, 1990

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse
San Diego, California

WD-40 Company Consolidated Statement of Income

	Year ended August 31		
	1990	1989	1988
Net sales	$90,990,000	$83,932,000	$80,005,000
Interest and other income	1,910,000	2,084,000	1,235,000
	92,900,000	86,016,000	81,240,000
Cost and expenses:			
Cost of product sold	40,446,000	36,347,000	33,931,000
Selling, general and administrative	17,058,000	15,985,000	14,096,000
Advertising and sales promotion	10,216,000	7,759,000	7,795,000
	67,720,000	60,091,000	55,822,000
Income before income taxes	25,180,000	25,925,000	25,418,000
Provision for income taxes:			
Federal	6,540,000	6,370,000	6,430,000
State	1,400,000	1,600,000	1,400,000
Foreign	1,750,000	2,200,000	2,040,000
	9,690,000	10,170,000	9,870,000
Net income	$15,490,000	$15,755,000	$15,548,000
Earnings per share	$ 2.05	$ 2.08	$ 2.06
Average number of shares outstanding	7,554,154	7,552,114	7,527,507

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Balance Sheet

	August 31 1990	August 31 1989
Assets		
Current assets:		
Cash, including cash equivalents of $15,100,000 and $18,581,000	$21,619,000	$22,403,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of $546,000 and $448,000	16,369,000	14,408,000
Inventories:		
Finished goods	3,261,000	2,707,000
Raw materials	402,000	403,000
	3,663,000	3,110,000
Prepaid expenses	1,522,000	1,178,000
Total current assets	43,173,000	41,099,000
Property, plant and equipment at cost:		
Land	254,000	254,000
Buildings and improvements	1,530,000	1,528,000
Machinery and equipment	3,138,000	2,697,000
	4,922,000	4,479,000
Less accumulated depreciation	(1,979,000)	(1,470,000)
	2,943,000	3,009,000
Other assets	669,000	532,000
	$46,785,000	$44,640,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,696,000	$ 2,591,000
Accrued payroll and related expenses	1,897,000	1,736,000
Income taxes payable	2,041,000	2,363,000
Total current liabilities	7,634,000	6,690,000
Deferred income taxes	200,000	129,000
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized – shares issued and outstanding of 7,554,508 and 7,554,008	2,594,000	2,584,000
Paid-in capital	121,000	121,000
Retained earnings	35,739,000	35,508,000
Cumulative foreign currency translation adjustment	497,000	(392,000)
Total shareholders' equity	38,951,000	37,821,000
	$46,785,000	$44,640,000

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Shareholders' Equity

	Common Stock				Cumulative
	Shares	Amount	Paid-in Capital	Retained Earnings	Translation Adjustment
Balance at August 31, 1987	7,522,868	$1,957,000	$121,000	$30,826,000	($127,000)
Issuance of common stock	21,500	433,000			
Cash dividends				(12,270,000)	
Change in cumulative translation adjustment					2,000
Net income				15,548,000	
Balance at August 31, 1988	7,544,368	2,390,000	121,000	34,104,000	(125,000)
Issuance of common stock	9,640	194,000			
Cash dividends				(14,351,000)	
Change in cumulative translation adjustment					(267,000)
Net income				15,755,000	
Balance at August 31, 1989	7,554,008	2,584,000	121,000	35,508,000	(392,000)
Issuance of common stock	500	10,000			
Cash dividends				(15,259,000)	
Change in cumulative translation adjustment					889,000
Net income				15,490,000	
Balance at August 31, 1990	7,554,508	$2,594,000	$121,000	$35,739,000	$497,000

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Cash Flows

	Year ended August 31		
	1990	1989	1988
Cash flows from operating activities:			
Net income	$15,490,000	$15,755,000	$15,548,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	485,000	449,000	198,000
Loss (gain) on sale of equipment	4,000	(20,000)	
(Increase) decrease in accounts receivable	(1,469,000)	(305,000)	36,000
(Increase) decrease in inventories	(339,000)	379,000	(699,000)
(Increase) decrease in prepaid expenses	(276,000)	(44,000)	132,000
(Increase) in other assets	(137,000)	(81,000)	(130,000)
Increase (decrease) in accounts payable and accrued expenses	1,019,000	617,000	(775,000)
(Decrease) increase in income taxes payable	(279,000)	(205,000)	1,394,000
Increase (decrease) in long-term deferred income taxes	41,000	(76,000)	2,000
Net cash provided by operating activities	14,539,000	16,469,000	15,706,000
Cash flows from investing activities:			
Proceeds from sale of equipment	108,000	28,000	65,000
Capital expenditures	(446,000)	(1,388,000)	(371,000)
Net cash used in investing activities	(338,000)	(1,360,000)	(306,000)
Cash flows from financing activities:			
Proceeds from issuance of common stock	10,000	194,000	433,000
Dividends paid	(15,259,000)	(14,351,000)	(12,270,000)
Net cash used by financing activities	(15,249,000)	(14,157,000)	(11,837,000)
Effect of exchange rate changes on cash	264,000	(190,000)	36,000
(Decrease) increase in cash and cash equivalents	(784,000)	762,000	3,599,000
Cash and cash equivalents at beginning of year	22,403,000	21,641,000	18,042,000
Cash and cash equivalents at end of year	$21,619,000	$22,403,000	$21,641,000

See accompanying notes to consolidated financial statements.

Note 1 — Summary of Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Products (Canada) Ltd., WD-40 Company Ltd. (U.K.) and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

Inventories

Inventories are stated at the lower of average cost or market.

Depreciation

Depreciation has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty to forty years for buildings and improvements and three to fifteen years for machinery and equipment.

Foreign Currency Translation

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities. Deferred income tax expense is the net change during the year in the deferred income tax asset and liability.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Reclassification

Certain prior year amounts in the Consolidated Balance Sheet have been reclassified to conform to the 1990 financial statement presentation.

Note 2 — Business Segment and Foreign Operations:

The Company operates in one business segment – the manufacture and sale of a multi-purpose lubricant principally through chain stores, automotive parts outlets and industrial distributors and suppliers.

Information regarding the Company's operations in different geographic areas is summarized below. WD-40 Company (U.S.) includes all domestic and intercompany sales, as well as sales to the Caribbean, Mexico, South America and the Pacific Rim, except for Australia. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada and Australia.

	Year ended August 31		
	1990	1989	1988
Net sales:			
WD-40 Company (U.S.)	$71,046,000	$62,870,000	$60,228,000
WD-40 Company Ltd. (U.K.)	11,774,000	12,490,000	13,534,000
Other foreign subsidiaries	9,331,000	9,828,000	7,671,000
Intercompany	(1,161,000)	(1,256,000)	(1,428,000)
	$90,990,000	$83,932,000	$80,005,000
Operating profit:			
WD-40 Company (U.S.)	$19,130,000	$18,408,000	$18,728,000
WD-40 Company Ltd. (U.K.)	2,280,000	3,203,000	4,062,000
Other foreign subsidiaries	1,860,000	2,230,000	1,393,000
Interest and other income	1,910,000	2,084,000	1,235,000
Income before income taxes	$25,180,000	$25,925,000	$25,418,000
Identifiable assets:			
WD-40 Company (U.S.)	$33,218,000	$33,925,000	$32,190,000
WD-40 Company Ltd. (U.K.)	8,311,000	6,670,000	7,896,000
Other foreign subsidiaries	5,256,000	4,045,000	3,226,000
	$46,785,000	$44,640,000	$43,312,000

Note 3 — Income Taxes:

The provision for income taxes has been computed in accordance with Statement of Financial Accounting Standards No 96, "Accounting for Income Taxes" (SFAS 96) The Company's adoption of SFAS 96 in fiscal 1988 did not have a material effect on the results of operations or financial position.

The provision for income taxes includes the following:

	Year ended August 31		
	1990	1989	1988
Current tax provision:			
United States	$ 6,480,000	$ 6,317,000	$ 6,552,000
State	1,400,000	1,600,000	1,415,000
Foreign	1,676,000	2,285,000	1,929,000
Total current	9,556,000	10,202,000	9,896,000
Deferred tax provision (benefit):			
United States	60,000	53,000	(122,000)
State			(15,000)
Foreign	74,000	(85,000)	111,000
Total deferred	134,000	(32,000)	(26,000)
	$ 9,690,000	$10,170,000	$ 9,870,000

The major temporary differences that gave rise to deferred taxes are the state tax provision, the allowance for cash discounts and doubtful accounts and depreciation The deferred tax assets and liabilities are reflected in the consolidated balance sheet as follows:

	Year ended August 31		
	1990	1989	1988
Current assets	$ 544,000	$ 607,000	$ 660,000
Non-current liabilities	(200,000)	(129,000)	(214,000)
	$ 344,000	$ 478,000	$ 446,000

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	Year ended August 31		
	1990	1989	1988
Amount computed at U S statutory federal rate	$ 8 561,000	$ 8,815,000	$ 8,558,000
State income taxes, net of federal benefit	924,000	1,056 000	929,000
Net effect of foreign income tax effective rates higher than U.S statutory federal rate	205,000	299,000	353,000
Other			30,000
	$ 9,690,000	$10,170,000	$ 9,870,000

Income taxes paid in 1990, 1989 and 1988 amounted to $11,304,000, $10,114,000 and $8,561,000, respectively

Note 4 — Stock Options:

The Company has an Incentive Stock Option Plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are exercisab e one year after grant and may not be granted for terms in excess of ten years. At August 31, 1990, opt ons for 104,191 shares were exercisable and 5,002 shares were available for future grants.

On March 25, 1990, the Board of Directors adopted the 1990 Stock Option Plan whereby officers and key employees may be granted options to purchase not more than 240,000 shares of the Company's common stock under the same conditions as the Incentive Stock Option Plan. This Plan is subject to shareholder approval at the Company's 1990 annual meeting. At August 31, 1990, no options were granted under this plan.

A summary of the changes in options outstanding under the Incentive Stock Option Plan during the three years ended August 31, 1990 is as follows:

	Number of shares	Option price per share
Outstanding at August 31, 1987	87,531	$19.50-$29.50
Options granted	31,200	$34.25
Options exercised	(21,500)	$19.50-$21.38
Options canceled	(10,400)	$19.50-$34.25
Outstanding at August 31, 1988	86,831	$19.50-$34.25
Options granted	33,400	$30 68
Options exercised	(9,640)	$19.50-$21.38
Options canceled	(1,700)	$30.68
Outstanding at August 31, 1989	108,891	$19.50-$34.25
Options granted	42,600	$31.88
Options exercised	(500)	$19.50
Options canceled	(4,200)	$29.50-$34.25
Outstanding at August 31, 1990	146,791	$19.50-$34.25

Note 5 — Commitments and Contingencies:

On February 17, 1989 an action was brought against the Company by eight former manufacturers' representatives and their respective affiliated corporations. Pretrial motions by the Company resulted in dismissa of all causes of actions brought by the individual plaintiffs, leaving only those causes of action brought by the affiliated corporations. The corporate plaintiffs seek damages in the maximum stated amount of $3,000,000 each The action arises out of the alleged wrongful termination of the plaintiffs' contracts when the Company replaced all of its United States manufacturers' representatives with an in-house sales force in November, 1988 Based on the advice of counsel that the contracts were lawfully terminated, management is of the opinion that the matter is not likely to have a materia adverse effect on the financial position of the Company.

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business In the opinion of management, all such matters are adequately covered by insurance or wi not have a material adverse effect on the Company's financial position.

The Company was committed under certain noncancelable operating leases at August 31 1990 which provide for the following minimum lease payments: 1991, $176,000; 1992 $113,000, 1993, $85,000; 1994, $5,000 Rent expense for the years ended August 31, 1990, 1989 and 1988 approximated $160,000, $118,000 and $33,000, respectively

Note 6 — Employee Benefit Plans:

The Company has a Profit Sharing Plan for the benefit of its regular full-time employees The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1990, 1989 and 1988 approximated $788,000, $511,000 and $388,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed three years of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes Employee and Company contributions to the trust are invested in the Company's common stock The Plan may be amended or discontinued at any time by the Company Company contribution expense for 1990, 1989 and 1988 was approximately $23,000, $18,000 and $14,000, respectively.

Quarterly Financial Information (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1990

Quarter ended:	Net Sales	Gross Profit	Net Income	Earnings Per Share
November 30, 1988	$19,731,000	$11,465,000	$ 3,631,000	$ .48
February 28, 1989	21,329,000	12,410,000	3,880,000	.51
May 31, 1989	19,291,000	10,717,000	3,005,000	.40
August 31, 1989	23,581,000	12,993,000	5,239,000	.69
	$83,932,000	$47,585,000	$15,755,000	$ 2.08
November 30, 1989	$19,103,000	$10,817,000	$ 3,385,000	$ .45
February 28, 1990	22,543,000	12,635,000	3,651,000	.48
May 31, 1990	21,213,000	11,359,000	2,507,000	.33
August 31, 1990	28,131,000	15,733 000	5,947,000	79
	$90,990,000	$50,544,000	$15,490,000	$ 2.05

Stock Information

	Fiscal 1990			Fiscal 1989		
Period:	High	Low	Dividend	High	Low	Dividend
First Quarter	$36½	$31½	$.43	$33¼	$30	$.40
Second Quarter	34½	30¾	.43	32¼	31	.40
Third Quarter	32	30	.73	33½	31½	.70
Fourth Quarter	31¾	26	.43	33⅛	30½	.40

The high and low sales prices are as quoted in the Wall Street Journal

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The results of operations, as summarized in Note 2 to the consolidated financial statements, are discussed below. There were no price increases during any of the periods except for the Canadian subsidiary during 1989.

WD-40 Company (U.S.)

1990 vs. 1989

Net sales in 1990 increased $8.3 million or 13.4%, compared to 1989. This increase was due primarily to a strong performance during the fourth quarter by the direct sales force, and to an increase in export sales to the Caribbean, Mexico and Southeast Asia. Also contributing to this sales increase was a heavy buy in during August, in anticipation of the September 1 price increase of approximately 9%. Due to the level of sales in August, sales for the first quarter of fiscal year 1991 may lack luster.

Cost of product sold, as a percent of net sales, increased from 42.8% to 44.3% during 1990 due principally to increases in the chemical and petroleum based ingredients as well as in the cost of aerosol packaging. The increase in pricing, effective September 1, 1990 should improve the gross profit for fiscal year 1991, providing the Middle East crisis stabilizes and the cost of petroleum ingredients does not increase dramatically.

Operating profit increased $722,000 or 3.9%, compared to 1989. However, as a percent of net sales, it decreased from 29.9% to 27.4% in 1990. Also, as a percent of net sales, there was a reduction in selling, general and administrative expense from 18.9% to 18.1%, which was offset by an increase in advertising and sales promotion from 8.4% to 10.3%.

1989 vs. 1988

Net sales in 1989 increased $2.6 million or 4.4%, compared to 1988. This increase was due primarily to a strong performance during the fourth quarter by the Company's new direct sales force, which replaced commissioned sales representatives during November, 1988. The sales increase for the year is comprised entirely of real growth in volume.

Operating profit decreased 1.7% compared to 1988 due to the fact that the insurance recovery of $950,000 received during 1988 is included as a reduction of selling, general and administrative expense in that year. Excluding this amount, operating profit increased approximately 3.5% over 1988.

Cost of product sold, as a percent of net sales, increased 1.3% during 1989 due principally to increases in the chemical and petroleum based ingredients as well as in the cost of aerosol packaging.

WD-40 Company Ltd. (U.K.)

1990 vs. 1989

Net sales for 1990 decreased $716,000 or 5.7%, compared to 1989. High interest rates in the U.K. have leveled off, however, they continue to impact the trade customers who are reluctant to carry large inventories. Sales to the balance of Europe and the Middle East were also down slightly from 1989. We anticipate that sales will show some improvement during 1991.

Operating profit decreased $923,000 or 28.8%, compared to 1989 due to sales falling short of planned objectives. This caused budgeted operating expenses to increase as a percentage of sales, thereby reducing profit before taxes. Sales to the Middle East are recorded in U.S. dollars. These foreign currency transactions resulted in exchange losses of approximately $197,000 in 1990 compared to an exchange gain of approximately $91,000 in 1989.

Management has set an objective to establish WD-40 as the "Brand Leader" in Europe. The first step in that direction was to allow the exclusive contract with our German distributor to lapse. In March 1990 a Company salesman was hired and he will work with that ex-distributor, and will also expand other distribution channels throughout Germany. We anticipate similar appointments of WD-40 salesmen in France, Benelux and Italy during 1991-1992.

The outcome of the Middle East crisis during 1990-1991 could have a significant negative impact on the sales outlook, not only in the Middle East but throughout the entire world.

1989 vs. 1988

Net sales in 1989 decreased $1,044,000 or 7 7%, and operating profit decreased $859,000 or 21 1%, compared to 1988. Factors that contributed to the decline in sales include:

1. A very mild European winter stunted the sales of all automotive products including WD-40
2. Spring 1989 sales promotions fell far short of plans and expectations
3. Accounts reduced their trade inventories in order to mitigate the impact of high interest and borrowing rates

The weakening of the British pound against the U S dollar comprised slightly more than half the decline in sales and approximately 20% of the decrease in operating profit

Although sales fell short of planned objectives, actual operating expenses approximated budgeted amounts, thereby leading to the reduction in operating income Sales to Europe and the Middle East showed a slight increase during 1989.

Other Foreign Subsidiaries

1990 vs. 1989

Net sales for 1990 decreased $497,000 or 5 1% compared to 1989 The decrease in sales was due to recessionary economies causing reductions in trade support of our promotional activities and to some temporary competitive activity in Australia.

Operating profit for 1990 decreased $370 000 or 16 6%, compared to 1989, as a result of operational expenditures being continued at budgeted levels in spite of the decline in net sales Advertising and sales promotional expenses through Australia also increased in support of increased sales into Southeast Asia

1989 vs. 1988

Net sales for 1989 increased $2,157 000 or 28 1% and operating profit increased $837,000 or 60%, compared to 1988. Approximately 55% of the increase in sales was generated by WD-40 Company (Australia) Pty Ltd as 1989 reflected twelve months of operations while 1988 reflected only eight months of operations This subsidiary operated at a marginal loss during both 1989 and 1988 The remainder of the increase in sales and all of the increase in operating profit was generated by WD-40 Products (Canada) Ltd Approximately half the increase in sales and operating profit was the result of price increases enacted at the beginning of 1989 while the other half of the increase resulted from improved sales volume reduced costs and a slightly improved exchange rate.

Interest and Other Income

Interest and other income for 1990 decreased $174,000 or 8 3%, compared to 1989 due to lower interest rates on lesser amounts of cash invested and to foreign currency transaction losses in the U K

Interest and other income in 1989 increased $849,000 or 69%, compared to 1988 This increase can be attributed to greater amounts of cash invested during the year at higher interest rates.

Liquidity and Capital Resources

The Company has not experienced significant change in liquidity since August 31, 1989 The current ratio of 5 7 to one at August 31, 1990 was slightly lower than the ratio of 6 1 to one at August 31, 1989 The Company's primary source of liquidity is funds provided by operations The Company had no borrowings outstanding at August 31 1990 The Company's cash flows from operations are expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends Capital expenditures for 1991 are expected to total approximately $750,000, principally for replacement of aged vehicles and other equipment.

Ten Year Summary (1)

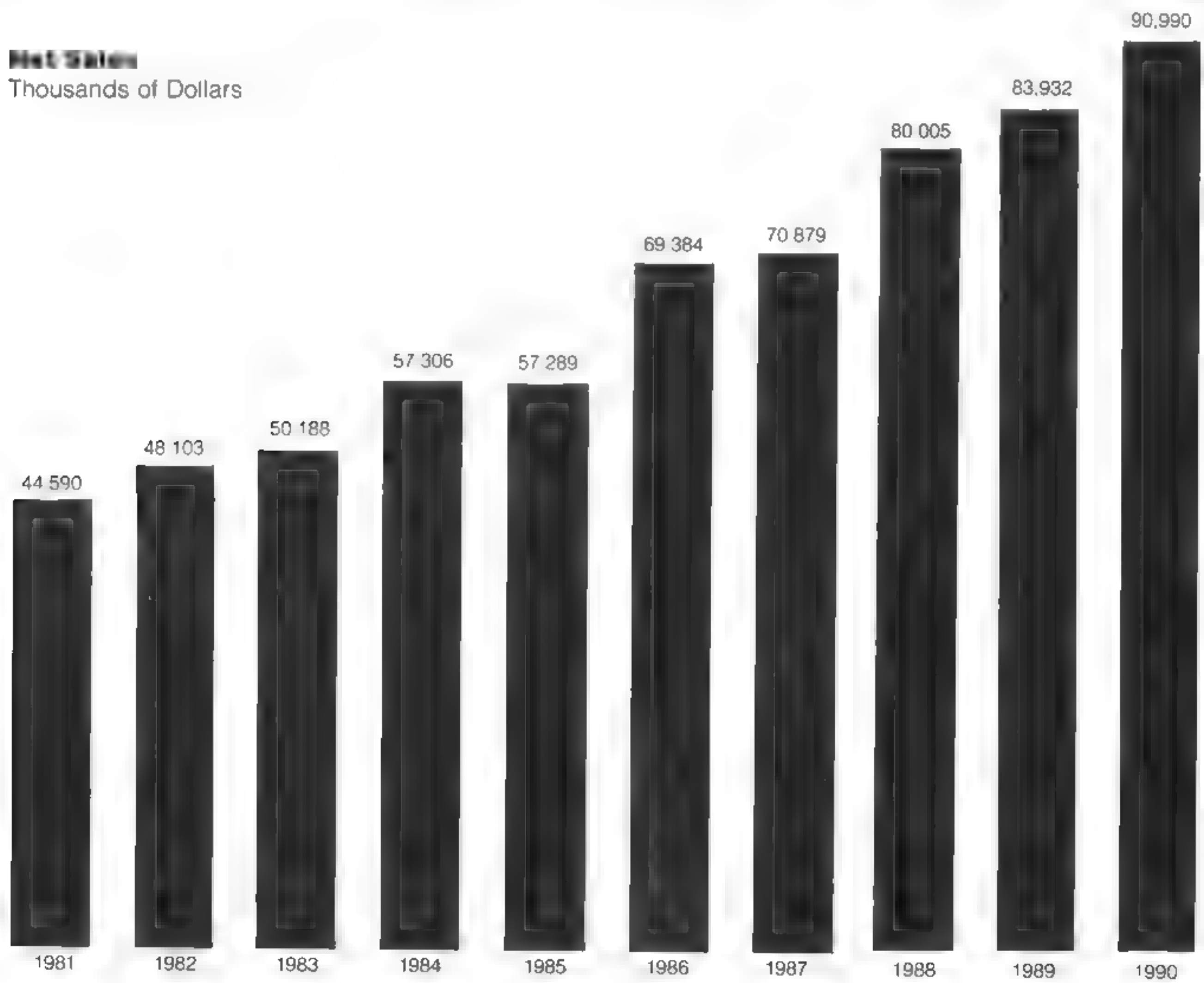
Fiscal Year Ended August 31

	1981	1982	1983
Net sales	$44,590,000	$48,103,000	$50,188,000
Cost of products sold	19,715,000	20,467,000	21,781,000
Gross profit	24,875,000	27,636,000	28,407,000
Selling, advertising, general and administrative expenses	10,203,000	11,253,000	13,647,000
Interest, royalty and other income	1,212,000	1,712,000	1,333,000
Income before income taxes	15,884,000	18,095,000	16,093,000
Provision for income taxes (2)	8,040,000	9,130,000	8,119,000
Net income	$ 7,844,000	$ 8,965,000	$ 7,974,000
Earnings per share (3)	$1.06	$1.21	$1.07
Average number of shares outstanding	7,434,270	7,434,834	7,453,598
Dividends per share (4)	$ 60	$.68	$.75
Total assets	$20,284,000	$22,916,000	$24,698,000
Number of employees	36	37	38

(1) Includes the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. See Management's Discussion and Analysis of the Last Three Fiscal Years of Operations on page 13

(2) The provision for income taxes has been computed in accordance with Statement of Financial Accounting Standards No. 96, "Accounting For Income Taxes" beginning in fiscal 1988, the adoption of which did not have a material effect on the results of operations or financial position. Prior to fiscal 1988 the provision for income taxes was computed in accordance with Accounting Principles Board Opinion No. 11, "Accounting For Income Taxes."

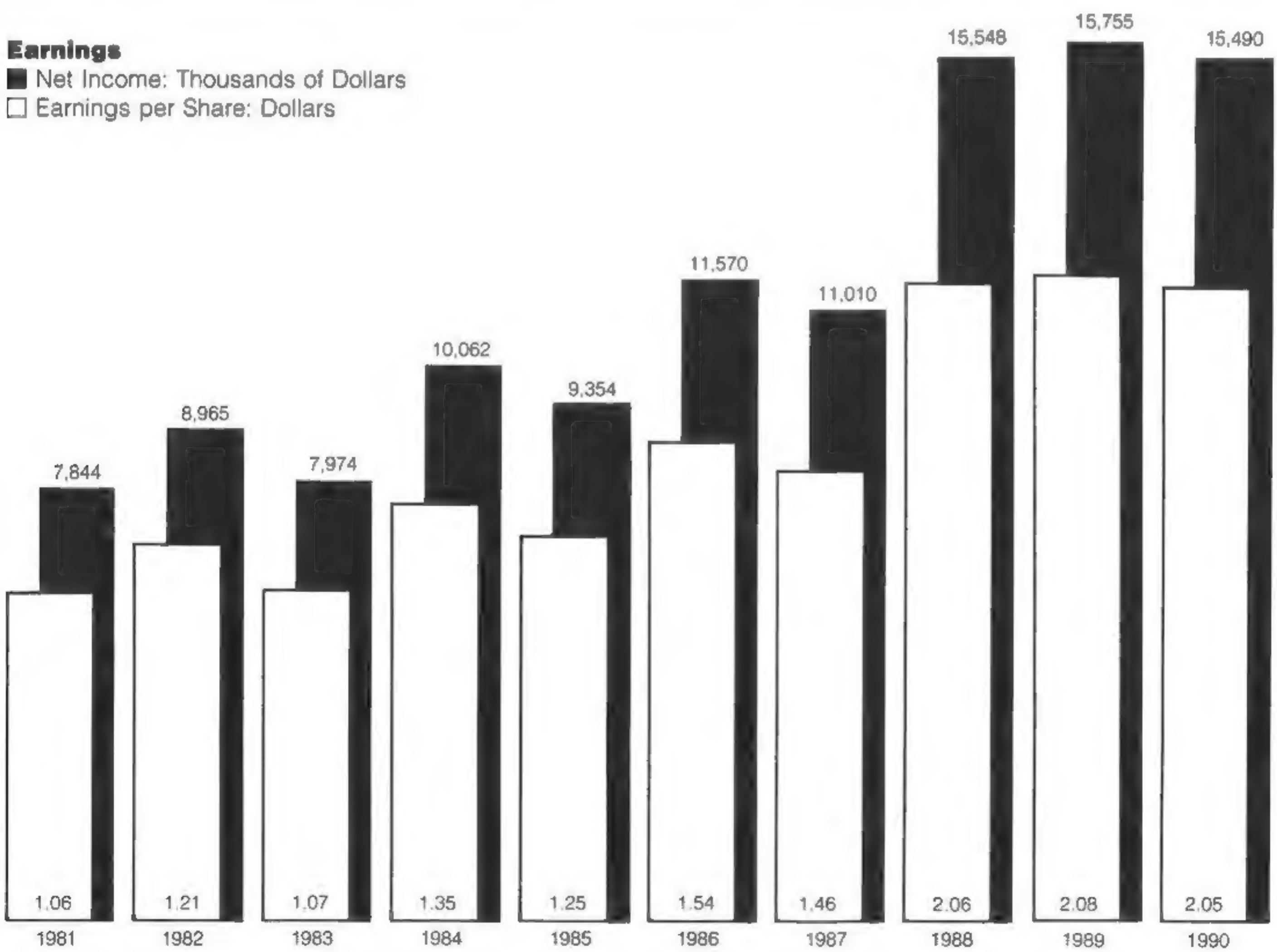
Net Sales
Thousands of Dollars



1984	1985	1986	1987	1988	1989	1990
$57,306,000	$57,289,000	$69,384,000	$70,879,000	$80,005,000	$83,932,000	$90,990,000
24,060,000	24,403,000	29,370,000	30,185,000	33,931,000	36,347,000	40,446,000
33,246,000	32,886,000	40,014,000	40,694,000	46,074,000	47,585,000	50,544,000
14,318,000	15,053,000	18,620,000	21,009,000	21,891,000	23,744,000	27,274,000
1,515,000	1,505,000	1,259,000	988,000	1,235,000	2,084,000	1,910,000
20,443,000	19,338,000	22,653,000	20,673,000	25,418,000	25,925,000	25,180,000
10,381,000	9,984,000	11,083,000	9,663,000	9,870,000	10,170,000	9,690,000
$10,062,000	$ 9,354,000	$11,570,000	$11,010,000	$15,548,000	$15,755,000	$15,490,000
$1.35	$1.25	$1.54	$1.46	$2.06	$2.08	$2.05
7,476,546	7,498,024	7,503,679	7,516,652	7,527,507	7,552,114	7,554,154
$.84	$.90	$1.04	$1.47	$1.63	$1.90	$2.02
$30,290,000	$32,871,000	$38,506,000	$39,149,000	$43,312,000	$44,640,000	$46,785,000
39	49	56	61	79	133	136

(3) Earnings per share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the three for one stock split in April 1983.

(4) The cash dividends paid per share have been retroactively restated to give effect to the April 1983 stock split.



Board of Directors

John S. Barry	Chairman and Chief Executive Officer, WD-40 Company
Sam Crivello	Investor
Daniel W. Derbes	Chairman Executive Committee Oak Industries, Inc.
Harlan F. Harmsen	Secretary, WD-40 Company
Jack L. Heckel	President and Chief Operating Officer, Gen Corp.
Margaret L. Roulette	Investor
Gerald C. Schleif	President, Chief Operating Officer and Treasurer, WD-40 Company
C. Fredrick Sehnert	President and Chief Executive Officer, Wavetek Corp.

Officers

John S. Barry	Chairman and Chief Executive Officer
Gerald C. Schleif	President, Chief Operating Officer and Treasurer
Paul A. Thompsen	Vice President-Sales and Marketing, North America
Harlan F. Harmsen	Secretary
Robert D. Gal	Assistant Secretary

General Counsel

Harmsen, Carpenter, Sidell & Olson
A Professional Corporation

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

Union Bank
8155 Mercury Court
San Diego, California 92112

Annual Meeting	2:00 PM, December 3, 1990 Mission Room Mission Valley Inn 875 Hotel Circle South San Diego, California 92108
Corporate Office	1061 Cudahy Place San Diego, California 92110 619/275-1400
Subsidiaries	WD-40 Products (Canada) Ltd. WD-40 Company Ltd. (U.K.) WD-40 Company (Australia) Pty. Ltd.
Listed	Over the Counter NASDAQ National Market System Symbol WDFC

Copy of Form 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1990 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, California 92110.


WD-40
• Stops Squeaks
• Protects Metal
Loosens Rusted Parts
NET WEIGHT 6 OZ
• Elimina el rechinido
• Protege el metal
NETO 170g
DANGER
6 OZ 170 g
• Stops Squeaks
• Protects Metal
150g NET
200 ml